AFTER THE PANIC, WHAT?

THE POTENTIAL FOR PEACE IN RUSSIAN OIL

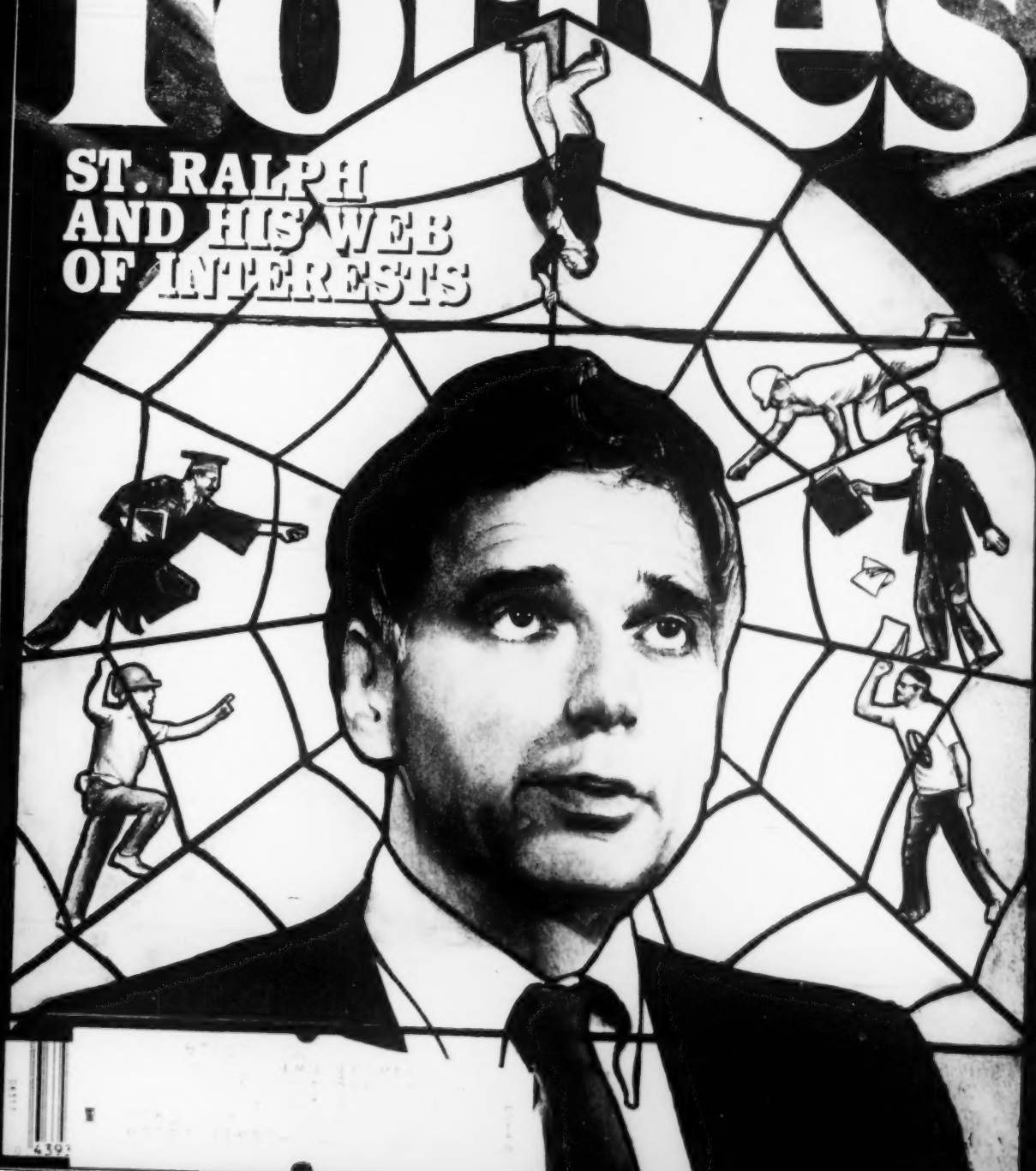
TAX PITFALLS FOR HOMEOWNERS

SEPTEMBER 17, 1990

THREE DOLLARS SEVENTY-FIVE CENTS

Forbes

ST. RALPH AND HIS WEB OF INTERESTS



Forbes

117

36 *Banking's gathering storm*

68 *Harvesting freer trade?*

SEPTEMBER 17, 1990
VOLUME 146
NUMBER 6
THE EDITORIAL INDEX OF COMPANIES REFERRED TO IN THIS ISSUE IS ON PAGES 6 AND 7.

ON THE COVER

117 Ralph Nader, Inc.
By Peter Brimelow and Leslie Spencer
Ralph Nader went to Russia recently, but the locals weren't much impressed. Maybe they sensed what most Americans don't: Nader's web of sometimes predatory, frequently secretive private interests.

40 After The Panic, What?
By Thomas Jaffe
The Saddam Hussein crash, then the sigh-of-relief rally. If history repeats the pattern of past war scares, look for the stock market to rise.

57 Taxing Matters: Pitfalls For Homeowners
By Laura Saunders
Your home collapses in value, so you walk away from the mortgage. Bad news: The bank comes after you. Worse: The IRS does, too.

130 The Potential For Peace In Russian Oil
By Vladimir Kvint
Within a decade Russia may be exporting more oil than Saudi Arabia is today.

COMPANIES

46 Pinkerton's, Inc.
By Julie Schlax
Can Thomas Wathen keep the legend growing?

76 Oryx Energy Co.
By Toni Mack
From a report-obsessed division of a big company to an entrepreneurial company standing on its own.

95 FMC Corp.
By Marcia Berss
How it stayed out of the takeover game and remained independent.

101 PPG Industries
By Alyssa A. Lappen
Why the Pitcairn family came back.

108 Bidermann Industries
By Katherine Weisman
Can you mix Ralph Lauren and Yves Saint Laurent with Arrow shirts and Gold Toe socks?

144 Hillman Properties
By Seth Lubove
What's this? An underleveraged developer who eschews publicity?

150 Melville Corp.
By Subrata N. Chakravarty
"Shoemaker, stick to your last." Melville has prospered by ignoring that good advice.

156 Leo Burnett Co.
By Rita Koselka
You don't have to be flashy to be good.

165 The Up & Comers: Image Entertainment
By Lisa Gubernick
Marty Greenwald's big bet that laser discs will soon rival cassettes for viewing movies at home.

170 The Up & Comers: Dover Publications
By Fleming Meeks
How to make money selling new paperback books for $1 when competitors ask $3 and more.

186 Christian Science Publishing Society
By Norm Alster
The *Christian Science Monitor* and the church's other media assets are in deep financial trouble.

191 Boeing
By Marc Beauchamp
Squeezing the last nickel from suppliers is out; creating strong, long-term relationships is in.

PERSONALITIES

48 Dennis Comes To Burbank
By Kathryn Harris
What's former movie mogul Dennis Stanfill doing running a postproduction company awash in debt?

INDUSTRIES

36 Megamergers: A Solution To The Banking Crisis?
By James R. Norman
Get ready for a big new wave of bank consolidations. Outfits like Chase and Manufacturers Hanover will take or be taken.

170 *Getting rich on cheap books*

176 *The end of mass media?*

42 Heads We Win, Tails We Win
By Suzanne L. Oliver
Oil shortage or not, the natural gas industry is looking good.

64 Man Bites Dog
By Jerry Flint
A car, designed and built in the U.S.A., with a Japanese nameplate?

136 Where Is The Bottom?
By Howard Rudnitsky
Smart money is nibbling at selected bank stocks and bonds.

INTERNATIONAL

38 Lustful Union
By Richard C. Morais
When the Berlin Wall fell, so did a lot of Eastern bloc inhibitions. Suddenly, sex is a German growth industry.

68 Your Market, Not Your Money
By Peter Fuhrman
European Community farm policies will hurt new Eastern European economies.

ON THE DOCKET

56 States' Rights Vs. Shareholders' Rights
By James Lyons
A decision hampers the SEC's rewrite of its antiquated proxy rules.

INVESTING

230 The Funds: Freeloading
By Michael Fritz
How to get a free ride out of your second-rate load fund. Also: Opportunities for vultures.

242 Streetwalker
Bulls and bears; Amerada Hess; MCA; Penn Central; Bicoastal Corp.

MARKETING

176 The Last Gasp Of Mass Media?
By Joshua Levine
Why and how the mass media will have to become much less mass.

COMPUTERS/COMMUNICATIONS

196 Can Apple Go It Alone?
By Gretchen Morgenson
Apple Computer's strategy: a road to high profits and to extraordinary risks. Also: Commentary by Esther Dyson.

SCIENCE & TECHNOLOGY

206 Have Nose, Can Travel
By David Churbuck
What makes your competition's secret sauce so zesty? What poisoned the wedding guests? Hint: You need a powerful sniffer. Also: Commentary by Michael Gianturco.

PERSONAL AFFAIRS

212 Two And A Half Cheers For Prodigy
By William G. Flanagan with Evan McGlinn
Our reviewer rates it high on buying services and cost; lower on news and information for grown-ups. Also: Thomas Watson Jr.'s scrimshaw.

CAREERS

220 Danger And Opportunity
By Andrew Tanzer
Hong Kong remains fertile ground for Americans seeking their fortunes.

DEPARTMENTS

8 Side Lines
10 Follow-Through
14 The Informer
16 Readers Say
19 Fact and Comment
24 Other Comments
29 Commentary
245 Flashbacks
246 Thoughts

COLUMNISTS

100 Michael Novak
204 Esther Dyson
208 Michael Gianturco
235 Ben Weberman
236 David Dreman
237 Ann C. Brown
238 Mark Hulbert
239 Ashby Bladen

MONEY & INVESTMENTS

31 What's Ahead For Business
32 The Forbes Index
227 The Forbes Wall Street Review
228 World Markets Review

FACES BEHIND THE FIGURES

224 **Bruce Wasserstein,** *Wasserstein, Perella & Co.*
224 **Laurence Tisch,** *CBS, Inc.*
225 **Richard Grassgreen,** *Enstar Group, Inc.*
225 **Hiromichi Toriba,** *Doutor Coffee Co.*

September 17, 1990 Volume 146 Number 6 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Canadian second-class postage paid, permit number 9490. Subscription $48 a year. U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1990 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

Cover illustration by Alan Bergerud

Companies in This Issue

INDEX OF COMPANIES COVERED IN NEWS STORIES AND BY THE COLUMNISTS IN THIS ISSUE. EACH REFERENCE IS TO THE FIRST PAGE OF THE STORY IN WHICH THE COMPANY NAME APPEARS.

A

Adobe Systems 196
Advance Publications (Random House) 170
Advertising Age 156
Adweek 156
Aeroturbine Energy 14
Aetna Life and Casualty 117
Agilis 196
Aldus 196
A.M.E. 48
Amerada Hess 242
American Brands 46, 237
American Capital funds 230
AMEV Investors 230
Amgen 208
AMR 191, 236
Apache 231
Apple Computer 8, 196, 212
Architectural Digest 176
Arnold & Porter 56
Ashland Coal 237
AST 196
AT&T 36, 237
AT&T (Bell Laboratories) 170
Atlantic Richfield 237, 242
Audi 117
Autodesk 204

B

Backpacker 176
Banc One 36, 136
Bank of Boston 36, 136, 224
Bank of New York 36
BankAmerica 136
Bankers Trust 136
Barron's 117
Eddie Bauer 220
Baxter International 208
L.L. Bean 220
Bell Atlantic 17
Berliner Morgenpost 38
Sanford C. Bernstein 150
Bertelsmann (Bantam Doubleday Dell Publishing Group) 170, 214
Bicoastal 243
Bidermann 108
Biogen 208
BMW 196
Boeing 191, 237
Boston (First National Bank) 48
British Petroleum 76, 130, 237
Alex. Brown & Sons 176, 208
Buderus Sell 191
Burda 38
Burlington Resources 95
Leo Burnett 156

C

Cablevision Systems 176
California Computer Options 196
California Plant Protection 46
California Public Employees' Retirement System Fund 56
California State Teachers Retirement Fund 165
Campeau (Bloomingdale's) 108
Capital Cities/ABC 176
Capital Cities/ABC (Arts & Entertainment Network) 176
Capital Guardian Trust 165
CBS 117, 176, 224, 245
Centocor 208
Cetus 208
Chase Manhattan 36, 136, 235
Chemical Banking 36, 136, 237
Chevron 130, 242
Chiron 208
Christen Industries 214
Christian Science Publishing Society 186
Chrysler 64
Church & Dwight 237
Cineplex Odeon 242
Citicorp 36, 48, 136, 144, 235
Coastal 42
Coastal Caribbean Oils & Minerals 14
Coated Sales 10
Coca-Cola 196, 245
Collier's 176
Columbia Gas System 42
Comerica 136
Compaq Computer 196, 236
CompuServe 212
Con Edison 42
Conrail 231
Consumer Reports 64, 212
Corbyn Associates 231
CoreStates Financial 136

D

Daewoo 196
Dain Bosworth 230
Dart Group (Crown Books) 170
Delta Air Lines 191, 236
Digital Equipment 204
Walt Disney 48
Domain Technology 196
Doutor Coffee 225
Dover Publications 8, 170
Dow Chemical 16
Dow Jones 212
Drexel Burnham Lambert 95
Du Pont 95

E

EIE International 220
Eldec 191
Enserch 42
Enstar Group 225
Equitable Life Assurance (Donaldson, Lufkin & Jenrette) 212, 235
Erie Lackawanna 231
Everex 196
Exxon 130

F

Falcon Microsystems 196
Fidelity Investments 56, 230
Fila 220
First Bank System 36, 136
First Boston 42, 224
First Chicago Bank 235
First City Bancorporation 231
First Interstate 36
First Interstate Bancorp 136
First RepublicBank 36, 136, 235
First Wachovia 136
First Western Government Securities 14
Fleet National Bank 235
Florida-West Indies Airways 245
Florists Transworld Delivery 212
FMC 8, 95
FMC Gold 95
Ford Motor 36, 64, 237, 245
Franklin funds 230
Freeport-McMoRan Gold 95

G

Gannett News Service 117
GE 36, 237, 245
GE (Arts & Entertainment Network) 176
GE (Kidder, Peabody) 227
GE (NBC) 176
GE (RCA) 165
L.A. Gear 237
Genentech 208
General Motors 36, 64, 117, 176, 196, 245
General Motors (Hughes Communications) 176
Genetics Institute 208
Genzyme 208
GO 196
Goldman, Sachs 231
Government National Mortgage Association 14
Grant Thornton 57
Greenspring Fund 231
Grolier 212
Le Groupe Videotron 176
Growth Stock Outlook 238
Gruppo GFT 108
Gulf States Utilities 231

H

H&R Block 237
Halliburton 237
Hallmark Cards 156
Harken Energy 10
HarperCollins Publishers 196
Hearst (Arts & Entertainment Network) 176
Heartland Advisors 230
Daniel Hechter 108
Hedged-Securities Associates 14
H.J. Heinz 156
Henley Group 224
Hewitt Associates 31
Hewlett-Packard 46, 206, 236
Hillman Properties 144
Hilton Hotels 220
Hoffmann-LaRoche 208
Holen North America 176
Honda Motor 64
House Beautiful 176
Hulbert Financial Digest 238
Hyundai 196

I

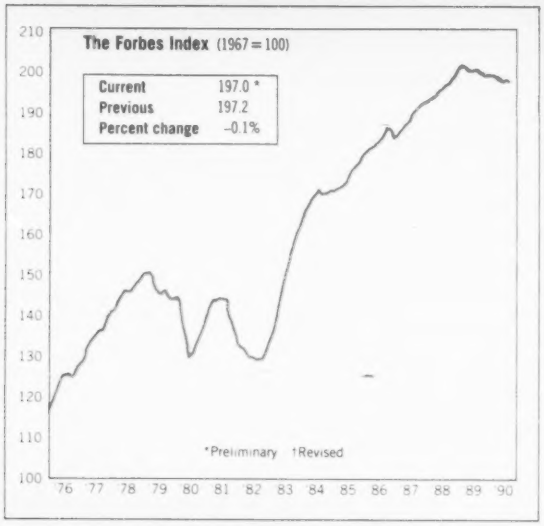
IBM 196, 212, 214, 237, 245
IC Industries 224
Image Entertainment 8, 165
The Independent 24
Intercontinental Branded Apparel (Pierre Cardin) 108
International Flavors & Fragrances 206
Interpublic Group of Companies (Lintas: USA) 176
Investcorp International (Saks Fifth Avenue) 108
Isuzu 64
Itel 224

J

Jamco 191
Johnson & Johnson 208

Forbes does not supply back issues or copies of individual articles. Requests for permission to reprint should be sent to the Permissions and Reprints Department at Forbes. Forbes is indexed in major periodical indexes and can be located in bound copy or microform in major libraries. The full text is available electronically on major database systems.
Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 27 Congress St., Salem, Mass. 01970 to photocopy articles owned by Forbes for a flat fee of $1.50 per copy per article. Send payment to the CCC stating the ISSN (0015 6914), volume and first and last page number of each article copied. Copying for other than personal use or internal reference, or of articles or columns not owned by Forbes without express permission of Forbes or the copyright owner is expressly prohibited.

The Forbes Index



July's economy, reflected in the chart at left, is weak; the future looks worse. The spurt in oil prices (to $31 a barrel, nearly double June's low of $16.60) largely escaped the July data collection and is going to hurt future price reports. Consumer prices rose 0.4% in July, but lower energy prices contributed to keeping this number down that month. Also, lower oil prices helped the U.S. trade deficit fall to $5 billion in June, the lowest monthly rate in seven years. Over the last two months, retail sales increased 1.2%. New housing starts are 18% below the year-ago level.

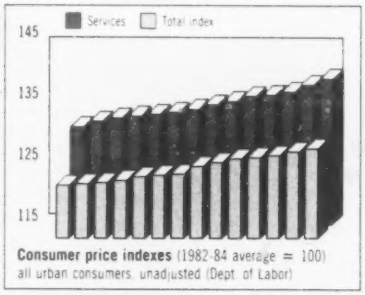
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	10.0%
Auto sales year to date vs. 1989[1]	Ward's Automotive	-4.6%
Index of leading indicators June vs. May	Dept of Commerce	0.0%
Trade balance last 12 months ending June 1990	Dept of Commerce	-$101 bil
Producer price index July vs. 1989[2]	Dept of Labor	3.4%
GNP 2nd quarter vs. 1st—annualized growth	Dept of Commerce	1.2%
NBER Experimental Recession Probability Index[3]	Natl Bureau of Economic Research	5.0%

[1]U.S.-based manufacturers, excludes imports, as of 8/20/90. [2]Finished goods. [3]June 1990.

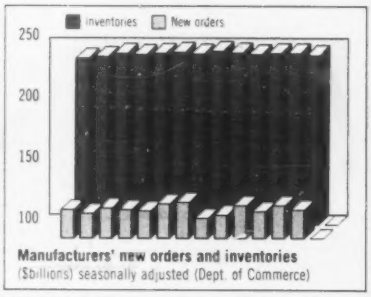
Index Components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

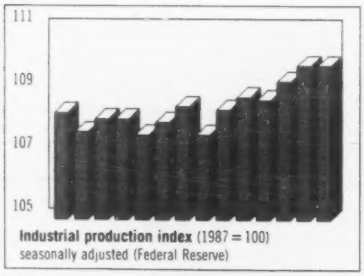
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



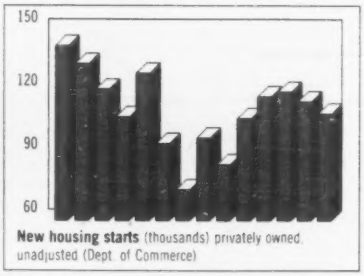
Consumer price indexes (1982-84 average = 100) all urban consumers, unadjusted (Dept. of Labor)



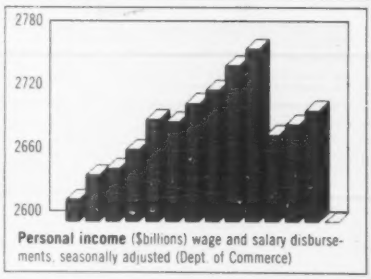
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



Industrial production index (1987 = 100) seasonally adjusted (Federal Reserve)

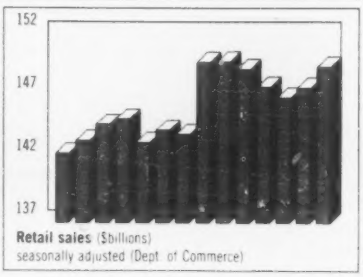


New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

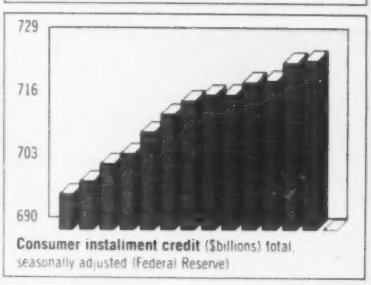


Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

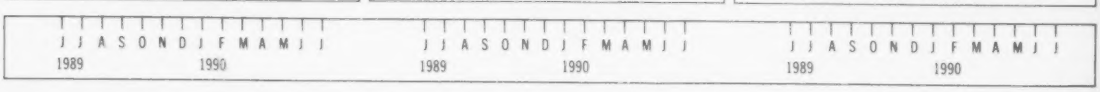
New unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)



Retail sales ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)



catalogs and practically gave them away for 5 East German marks (the equivalent of 80 cents at official rates) in a whirlwind tour of the country in June. Thousands of unabashed East Germans crowded around her vans, clamoring for catalogs. She expects sales this year to be up by 15%.

As soon as property laws have been clarified, Uhse says, she'll open 20 stores across the border, plus license her name to locals wanting to take the self-employment plunge. Somebody, apparently, has already beaten her to it. In Zwickau, the first East German sex shop has already opened, complete with yellow awnings.

The demand from the Eastern bloc came just in time for Europe's sex industry, which appears to be suffering from a bit of overcapacity and creeping old age. The media end of the West German sex business alone is estimated to be between $1.3 billion and $2 billion. Klebe, the "lust paper" editor, figures there are between 6,000 and 7,000 sex shops in West Germany alone, and characterizes the competition as "cutthroat." Uhse, berry-brown from a recent visit to a French nudist camp, agrees. "Too many idiots came into the market," she says. "Their pricing is all wrong. They are practically giving it away."

Meanwhile, back in Hamburg's St. Pauli district, the union of the two Germanys continues, but not always smoothly. The 2 a.m. beat cop says many East Germans order drinks but don't have enough money to pay.

A wooden gate across the Herbertstrasse—where painted women sit in windows and sip schnapps—clearly states that only men are allowed in the alley. But that doesn't seem to deter East German women who by the busload pour down the alley to gawk. It's terrible for business. The prostitutes are fighting back now, dousing the rude intruders with water tinged with coffee, so it looks like urine.

"The East Germans don't understand," says Klebe. "These are working women." ■

The Saddam Hussein crash, then the sigh-of-relief rally. There are no hard rules, but if history repeats the pattern of past war scares, look for the stock market to rise.

Remember the Maine!

By Thomas Jaffe

EVERYBODY was waiting for the sigh-of-relief rally, and finally it came. Over two days in late August the Dow Jones industrial average recovered 128 of the 416 points it lost after Saddam Hussein invaded Kuwait and raised the specter of a serious war. President Bush's decisive sending of troops and ships and the world's dilatory but near-unanimous approval of sanctions against Iraq had the effect of calming investors.

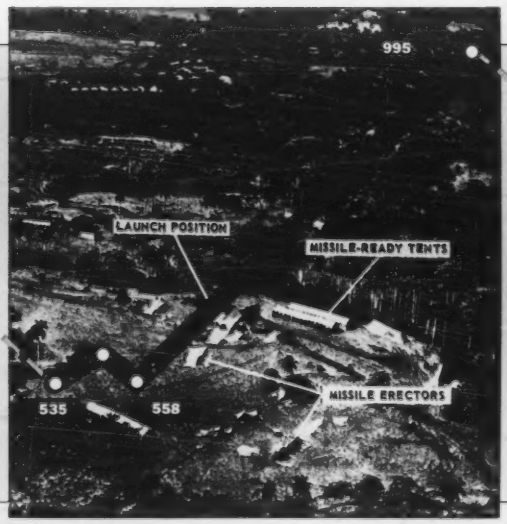
What next?

For some clues, FORBES examined stock market patterns after similar war crises:

When saboteurs blew up the U.S. battleship *Maine* in Havana harbor on Feb. 15, 1898, it appeared for a time they'd detonated the market as well. Between that date and Mar. 25 the Dow fell 16%, from 50 to 42. But, by the end of May, with the U.S. at war

Sputnik

Cuban missile crisis



Tet Offensive

U.P.I. Bettmann

U.P.I. Bettmann

with Spain, the market had rallied back above 50. Some 18 months later, in September 1899, the Dow peaked at 77, 83% over its post-*Maine* low.

This has been the general pattern in war crises: a fast crash and then a recovery. But not all the rallies are as quick in the making as that of the Spanish-American War. Take World War II. When, after months of the phony war, Germany finally attacked the Low Countries on May 10, 1940, the market slumped badly. By May 24, with the Allies in a rout and France doomed, the Dow had dropped from 144 to 113, and it continued drifting downward for two more years, to its low of 92—this, as the Japanese noose tightened around Bataan and Corregidor.

It wasn't until May and June of 1942, when U.S. victories at the battles of the Coral Sea and Midway stopped Japan's advance in the Pacific, that investors began to smell that the Axis goose was cooked. The market slowly started to turn, and its recovery continued straight through the end of the war—until May 1946, by which time the Dow stood at 212.

Although the launching of Sputnik may not, at first blush, appear to have been a military crisis, it carried a devastating implication that the Soviets might have gained a technological edge in the arms race. On Oct. 4, 1957, the day Sputnik went up, the Dow was at 461; by Oct. 22 it had dropped 9%, to 419. The market didn't return to pre-Sputnik levels until May 1958. Then, with investors having finally realized that the U.S. was not being overwhelmed by Soviet technology, the market went into its own orbit. The Dow peaked at 685 on Jan. 5, 1960.

Another such rally followed the Cuban missile crisis. In September of 1962, the market was marking time around 600, down substantially from the previous year's high of 734. When, on Oct. 22, Kennedy made his TV speech alerting Americans to what the Soviets had been up to in Cuba, the Dow dropped to 558. And that was it. The Soviets blinked; the crisis was discounted; a sigh-of-relief rally began that lasted more than three years. On Feb. 9, 1966 the rally ended with the Dow at 995—a level it took nearly two decades to surpass by a substantial margin.

Some sigh-of-relief rallies are brief. Take the one that followed the Six-Day War in the Middle East. In May 1967 the Dow nosed above 900 for the first time since June 1966, but on June 5 the Arab-Israeli war erupted and the market fell to 847. Then it quickly recovered, going as high as 943 by September. That 11% gain couldn't be sustained, however. The market sold off once more.

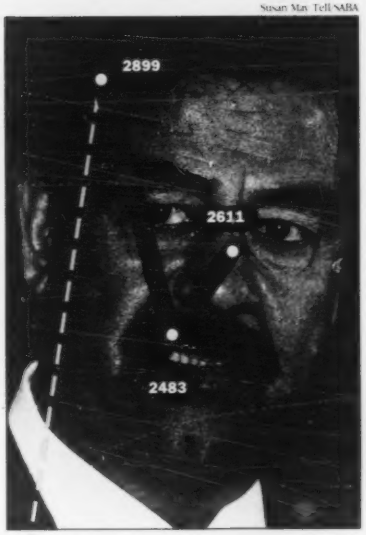
North Vietnam launched the Tet Offensive on Jan. 30, 1968. At the time, the Dow was at 859. By Mar. 21 it had fallen to 825. On Mar. 31 President Johnson announced he wouldn't run for reelection. The following day, April Fools', the market rose to 861. Investors began to discount the end of the war, figuring that Johnson's successor would pull out of the costly and inconclusive war. The sigh-of-relief rally continued until Dec. 3, 1968, when the market reached 985, nearly 20% above its post-Tet low. But then it fizzled. The war would drag on; overly optimistic investors had fooled themselves.

UPI/Bettmann

Yom Kippur War

Gamma Liaison

Susan Mac Tell/SABA



Saddam Hussein

One crisis that had scant effect on the market was the Yom Kippur War of October 1973; the market was rising when it started and kept rising throughout, only to collapse later in the year and continue a long slide that had actually begun in January 1973.

In short, there is no single pattern in postcrisis markets. Some turn into long-lived rallies, such as the markets that followed Sputnik and the Cuban missile crisis. Others are just flashes in the pan, as was the case after both the Six-Day War and Johnson's decision to bow out.

If there are no hard-and-fast patterns, there do seem to be a couple of very general lessons in this brief history of markets and military crises. Lesson One: Markets like peace and eagerly anticipate it. As the French used to say, buy when the cannons start firing, and sell when the bugles sound retreat.

Lesson Two: It is difficult, and probably foolhardy, for individual investors to trade the plunges and rebounds of a market trying to digest news from the front. Unleveraged long-term investors have made out well in the past; short-term investors on margin have not. Lesson Three: underlying economics matter.

What will happen this time? Prior to Saddam Hussein, the market had already turned down on concerns about the budget deficit and an economic slowdown. The Gulf crisis may merely have hastened the drop. In any case, the crisis has already been discounted, both as to its early panic and sigh-of-relief phases. What happens from here on is likely to be determined by what happens to the U.S. and world economies. ■

The Forbes Wall Street Review

By Eric S. Hardy

The stock market collapse continued over the two weeks to Aug. 23, with a 10% fall in the Dow coming on top of a 5.5% fall for the previous two weeks (the first weeks after Iraq's invasion of Kuwait).

Yet, by many historical measures (including price/earnings ratios, dividend yields and price/book ratios), the market is still expensive. Since July 26, the Wilshire 5000's P/E multiple (against trailing 12-month earnings) has sagged only to 14 from 16.

For most of the past decade, smaller companies fared worse than blue chips, and many analysts (and FORBES) have recently argued that the time was ripe for a rebound in small stocks. But the current market crash is hurting them the most. The Nasdaq index is down 19% over the last month. Daily Nasdaq volume, meanwhile, has averaged 136 million shares and hit a high for the year of 203 million on Aug. 3. This may dispel the notion that lack of liquidity is behind Nasdaq's weakness.

Gold stocks have survived this rout. But Marc D. Cohen of Kidder, Peabody argues that gold has been surprisingly weak, given the boost you would expect it to get from a weakening dollar and expectations of oil-fed inflation. His conclusion is that underlying pressures are bearish for gold and that gold will retrench if there is any alleviation of the Middle Eastern hostilities.

The overall market[1]

The Best Performing Stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
American Barrick Resources	23	14%	68	6,299	1.8
Amax Gold	19¼	12	57	360	2.0
Placer Dome	18¾	10	40	10,141	2.2
Echo Bay Mines	14⅜	9	NM	5,236	1.6
Northrop	16⅜	9	7	1,521	1.1

The Worst Performing Stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
USAir Group	14¼	-30%	NM	2,894	1.6
Goulds Pumps	17⅛	-30	12	4,465	1.3
Boise Cascade	26½	-30	7	3,316	2.4
Metro Mobile CTS	10¾	-30	NM	62	0.5
Neutrogena	14⅛	-29	17	813	0.8

Closeup on the Market

Index or investment	Price	2-week change
Wilshire index 6,000 stocks, capitalization weighted	2,911.71	-9.8%
Wilshire index 6,000 stocks, equal weighted	18.25	-9.6
Dow Jones industrials 30 stocks, divisor-adjusted price average	2,483.42	-10.0
S&P 500 Capitalization weighted cross section, major stocks	307.06	-9.7
NYSE Capitalization weighted, all listed common stocks	168.88	-9.3
Amex Capitalization weighted total return: stocks, warrants	315.85	-7.5
Nasdaq Capitalization weighted, all issues except warrants	360.22	-12.8
Amex international market index Capitalization weighted, 50 largest ADRs	287.40	-5.3

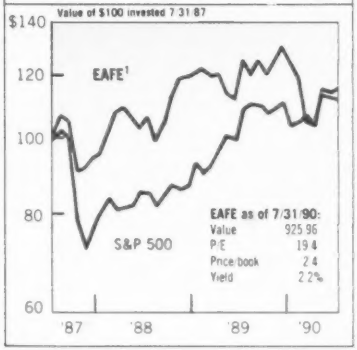
Index or investment	Price or rate	2-week change
Europe, Australia, New Zealand and Far East[4] (EAFE) a dollar denominated capitalization weighted index	783.60	-7.8%
Institutional[5] Approximately 200 stocks with high institutional ownership	94.46	-9.1
Individual[5] Approximately 200 stocks with low institutional ownership	88.66	-7.8
Russell 2000 index 2000 stocks with small market values, capitalization weighted	132.92	-12.9
Gold[6] (composite quote of 6 major dealers)	$411.80	7.3
Yen[6] (per $U.S.)	146.25	-2.3
Commodity index[6] (CRB futures index, 1967 = 100)	243.89	3.5
Oil[6] (W Texas Intermediate)	$31.95	24.6
T bills[6] (90 days)	7.52%	12 basis points[7]
Broker loan rate[6]	9.25%	unchanged

Note: All data for periods ending 8/23/90. Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. Stocks listed above have market capitalizations of $500 million or more. [1]Capitalization weighted, prepared by Wilshire Associates, Santa Monica, Calif. [2]Average daily volume over a 2-week period. [3]Average daily volume over the last 2 weeks, divided by the average daily volume over the preceding 3 months. [4]Morgan Stanley Capital International Perspective. [5]For period ending 8/24/90. A. Arbel, Cornell University, using Ford Database from Ford Investor Services. [6]Knight-Ridder Financial Information. [7]A basis point is equal to one-hundredth of a percentage point. NM: Not meaningful.

World Markets Review

By Gustavo Lombo

Foreign vs. U.S. markets



Developed markets

Market	Total return[2] 3 months	12 months	P/E
UK	27%	15%	11
Sweden	25	18	14
Switzerland	21	18	14
Australia	19	7	13
Austria	19	129	59
France	1	26	12
Findland	4	–21	14
Japan	8	–25	40
US	8	6	16
Belgium	9	18	11

Emerging markets

Region	Total return[2] 3 months	12 months	P/E
Latin America	12%	4%	NA
Asia	–34	–27	NA

Country	Total return[2] 3 months	12 months	P/E
Greece	138%	424%	32
Turkey	42	769	25
Venezuela	28	109	11
Taiwan/China	–50	–44	38
Philippines	–16	–1	18
Korea	–14	–19	22

If it's any consolation to investors in the U.S. market, which fell 15% in the four weeks to Aug. 23, foreign markets are suffering Iraq fever, too. The Japanese Nikkei index hit a recent 23,737, down 39% from this year's high of 38,713 in early January. Caution: Even at today's lower prices, Japanese stocks are overpriced with respect to world markets, in the view of John Templeton, the Bahamas-based money manager.

The recent turmoil on the world's stock exchanges does, however, serve to point up the value of overseas investing to U.S. investors. An international portfolio provides diversification not only among markets but among currencies. Thus, for the three months ended July 31, the cutoff date for most of the tabulations on this page, a strong pound brought the U.S. return on U.K. stocks to 27%, even though British investors saw a gain of only 12%. Since the end of July, U.K. stocks have retraced some of these gains: They're off 10% locally and 6% to U.S. investors.

Who's Hot

Company/country	Business	Price	3-month price change	P/E
Nippon Light Metal/Japan	metals	8½	73%	45
Fitch Lovell/UK	consumer prods	5¼	65	13
Cycle & Carriage/Singapore	automotive	2¾	62	17
Svenska Handelsbank/Sweden	banking	24⅝	58	10
DYNO/Norway	chemicals	27⅜	57	13

Who's Not

Company/country	Business	Price	3-month price change	P/E
Jones David/Australia	merchandising	5	–35%	4
Michelin B/France	ind components	17½	–28	4
Philips/Netherlands	appliances	15¼	–25	7
Magneti Marelli/Italy	elec & electron	1¼	–24	16
Citroen Hispania/Spain	automotive	9¼	–24	4

Cheap Foreign Stocks

Company/country	Business	Price	Earnings	P/E
Bayer/Germany	chemicals	178⅜	$23.26	8
Thyssen/Germany	metals	182⅝	22.00	8
Cie Generale Elec/France	elec & electron	118¼	9.02	13
Banca Commerciale/Italy	banking	5⅛	0.35	15
National Westminster Bk/UK	banking	6	0.37	16

High-Yielding Foreign Stocks

Company/country	Business	Price	Yield	P/E
Gen Property Trust/Australia	real estate	2¼	9.2%	11
Natl Australia Bk/Australia	banking	5¼	9.1	8
EBES/Belgium	utility	126¼	8.7	10
Elders Res/New Zealand	paper prods	1⅛	7.8	10
Hoechst/Germany	chemicals	169	7.5	7

Note: Data for period ending 7/31/90. Selected stocks have a market capitalization of at least $300 million. [1]EAFE is a price return index of European, Australian, New Zealand and Far Eastern stocks converted into U.S. dollars. [2]Performance numbers reflect both local price change and currency fluctuation. Dividends are reinvested after subtracting foreign withholding tax. NA: Not applicable. Principal source: Morgan Stanley Capital International Perspective. Emerging markets data provided by International Finance Corporation ending 6/30/90.